

OPEN MEETING ITEM

**COMMISSIONERS**  
MARC SPITZER - Chairman  
WILIAM A. MUNDELL  
JEFF HATCH-MILLER  
MIKE GLEASON  
KRISTIN K. MAYES

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ARIZONA CORPORATION COMMISSION

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MEMORANDUM

TO: Colleen Ryan

FROM: Christopher C. Kempley *CEK*

DATE: March 15, 2004

RE: UNS Gas, Inc.  
Docket Nos. E-01032C-00-0751, G-01032A-02-0598, E-01933A-02-0914,  
E-01032C-02-0914, G-01032A-02-0914 and G-01032E-03-0515

Consistent with the directions from the Commission at Open Meeting on March 10, 2004,  
Commission Staff hereby submits a form of Order for the Commission's consideration.

Arizona Corporation Commission  
**DOCKETED**

MAR 16 2004

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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

IN THE MATTER OF THE UNS GAS,  
INC. - PURCHASED GAS ADJUSTOR  
SURCHARGE

DOCKET NOS. E-01032C-00-0751  
G-01032A-02-0598  
E-01933A-02-0914  
E-01032C-02-0914  
G-01032A-02-0914  
G-01032E-03-0515

DECISION NO. \_\_\_\_\_

ORDER

Open Meeting  
March 17, 2004  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. UNS Gas, Inc. ("UNS") is engaged in providing natural gas service within portions of Arizona, pursuant to authority granted by the Arizona Corporation Commission ("Commission").

2. UNS' acquisition of the natural gas utility assets of Citizens Communications Company ("Citizens") was approved by the Commission in Decision No. 66028 (July 3, 2003). This Decision contained a variety of conditions, including requirements for UNS to conduct a variety of customer outreach activities.

3. In Decision No. 64054 (September 27, 2001), the Commission approved a purchased gas adjustor ("PGA") surcharge for Citizens' Northern Arizona Gas Division ("NAGD") and Santa Cruz Gas Division ("SCGD"). This PGA surcharge was variable, with the

1 combination of the monthly PGA rate and the PGA surcharge equaling \$0.3435 per therm for the  
2 NAGD and \$0.2671 per therm for the SCGD for a 24 month period beginning with the October  
3 2001 billing cycle or until the PGA bank balance reached zero, whichever came sooner.

4 4. In Decision No. 65384 (November 13, 2002), the Commission approved a reduction  
5 in the PGA surcharge to \$0.3258 per therm for the NAGD and \$0.2326 per therm for the SCGD.  
6 This Decision also implemented a "surcharge holiday" wherein the PGA surcharge was not  
7 applied to customer bills in January and February 2003 and was halved on customer bills in  
8 December 2002 and March 2003. The PGA surcharge would expire after September 2003 or when  
9 the PGA bank balance reached zero, whichever came sooner.

10 5. In Decision No. 66341 (September 30, 2003), the Commission approved a revision  
11 of the PGA surcharge to \$0.1155 per therm, with the PGA surcharge in effect until the PGA bank  
12 balance reached zero. This Decision also implemented a circuit-breaker mechanism which  
13 exempted residential usage above 140 percent of average residential consumption during the  
14 December through March period from the PGA surcharge. This Decision contained requirements  
15 for UNS to conduct a variety of customer outreach activities.

16 6. On February 19, 2004, the Commission held an open meeting to receive public  
17 input and discuss UNS PGA surcharge issues. On February 24 and 26, 2004, the Commission held  
18 open meetings in Prescott to receive public input and discuss UNS PGA surcharge issues.

19 7. On March 12, 2004, consistent with A.R.S. § 40-252, the Commission held an open  
20 meeting to discuss UNS PGA surcharge issues and proposals to address the issues. As a  
21 procedural matter, at the March 12<sup>th</sup> open meeting, the Commission approved a series of items to  
22 be included in a proposed order for Commission consideration at an open meeting on March 17,  
23 2004. These items were:

24 A. The currently effective PGA surcharge of \$0.1155 per therm will remain in effect  
25 for all months through the October 2004 billing cycle, at which time the surcharge  
shall terminate.

26 B. The circuit-breaker mechanism threshold will be lowered to 125 percent of average  
27 monthly residential usage and will be applied at this level to customer bills in  
28 March and April 2004. The 125 percent threshold for March usage is 108 therms  
for northern Arizona customers and 88 therms for Santa Cruz County customers.

1 The 125 percent threshold for April is 76 therms for northern Arizona customers  
2 and 60 therms for Santa Cruz County customers.

3 C. The PGA surcharge will not be applied to any usage by customers served under the  
4 CARES tariff, beginning with the April 2004 billing cycle.

5 8. At recent open meetings, the Commission expressed a concern with the past public  
6 outreach efforts by UNS and a desire for UNS to enhance its public outreach efforts in the face of  
7 natural gas prices which may remain high for the next year and beyond. Therefore:

8 A. UNS shall file semi-annual reports with the Commission, documenting CARES  
9 program participation levels as well as program cost recoveries and expenditures  
10 related to the CARES program deferral account balance, on a monthly basis. Such  
11 reports shall be filed by January 30<sup>th</sup> and July 30<sup>th</sup> of each year, documenting the  
12 previous first six months' and second six months' activity for each calendar year,  
13 respectively.

14 B. UNS shall aggressively inform the public of the availability and benefits of  
15 participation in the CARES program, including radio, television, and newspaper  
16 ads, as well as separate bill inserts in both Spanish and English to be sent out  
17 quarterly. This outreach should also include further efforts to reach out and contact  
18 other community agencies and to work with such agencies to increase CARES  
19 program participation. Outreach efforts regarding the CARES program should also  
20 inform customers of the lead time required for customers to sign up for the CARES  
21 program before the winter heating season.

22 C. UNS shall conduct a comprehensive public outreach program in all areas served by  
23 UNS, to discuss UNS gas prices and mitigation opportunities, including the CARES  
24 program, budget billing, levelized billing, and ways to reduce energy usage such as  
25 demand-side management and weatherization. This public outreach program shall  
26 prominently feature UNS' predictions of natural gas prices for the coming winter  
27 and factors contributing to those prices. UNS shall include bill inserts in  
28 customers' June, September, and November bills as well as newspaper, television,  
and radio advertisements to accompany the bill insert mailings.

D. UNS must submit its outreach program, including all bill inserts and proposed  
advertisements for Commission approval, such that the program is approved by the  
Commission no later than May 2004.

9. At the March 17th open meeting, UNS was provided the opportunity to be heard on  
each item specified in paragraphs 7 and 8 above.

10. Based on the information developed during this proceeding, it is appropriate that  
the items specified in paragraphs 7 and 8, above, be approved at this time.

11. UNS and Staff shall jointly develop a recommended notice that explains this decision and present it to the Commission no later than March 31, 2004.

CONCLUSIONS OF LAW

1. UNS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over UNS and over the subject matter of this proceeding.

3. Pursuant to A.R.S. § 40-252, and following Notice and an opportunity to be heard on the part of UNS, the Commission has jurisdiction to alter or amend Decision Nos. 66028 and 66341 as provided herein.

4. The Commission concludes that it is in the public interest to approve this matter, as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the PGA surcharge revisions, reporting requirements, and public outreach requirements described herein, be and are hereby approved.

IT IS FURTHER ORDERED that, to the extent the provisions of this Decision are inconsistent with Decision Nos. 66028 or 66341, those Decisions shall be deemed amended to reflect the provisions of this Decision.

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IT IS FURTHER ORDERED that other than as amended by this Decision, Decision Nos. 66028 and 66341 are hereby affirmed in their entirety.

IT IS FURTHER ORDERED that this order shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this \_\_\_\_\_ day of \_\_\_\_\_, 2004.

\_\_\_\_\_  
BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:BGG:lhmcck

1 SERVICE LIST FOR: UNS Gas, Inc.  
2 DOCKET NOS. E-01032C-00-0751, et al.

3 Mr. Thomas H. Campbell  
4 Mr. Michael T. Hallam  
5 40 North Central Avenue  
6 Phoenix, Arizona 85007  
7 Attorney for UNS Gas and  
8 Citizens Communications Company

9 Ms. Deborah R. Scott  
10 Unisource Energy Services  
11 One South Church Street, Suite 200  
12 Tucson, Arizona 85702

13 Mr. L. Russell Mitten  
14 Citizens Communications Company  
15 Three High Ridge Park  
16 Stamford, Connecticut 06905

17 Mr. Scott Wakefield  
18 Mr. Daniel W. Pozefsky  
19 RUCO  
20 1110 West Washington Street, Suite 220  
21 Phoenix, Arizona 85007

22 Mr. John White  
23 Deputy County Attorney  
24 P.O. Box 7000  
25 Kingman, Arizona 86402

26 Mr. Robert A. Taylor  
27 City Attorney  
28 City of Kingman  
310 North Fourth Street  
Kingman, Arizona 86401

Mr. Gary Smith  
Citizens Communications Company  
2901 West Shamrell Boulevard, Suite 110  
Flagstaff, Arizona 86001

Mr. Raymond Mason  
Director, Corporate Regulatory Affairs  
3 High Ridge Park  
Stamford, Connecticut 06905

1 Mr. Dennis R. Nelson  
UniSource Energy Services  
2 2901 West Shamrell Boulevard, Suite 110  
3 Flagstaff, Arizona 86001-9402

4 Mr. Robert J. Metli  
Cheifetz & Iannitelli, P.C.  
5 3238 North 16th Street  
6 Phoenix, Arizona 85016

7 Mr. John D. Draghi  
Susan Mikes Doherty  
8 Huber, Lawrence & Abell  
605 Third Avenue  
9 New York, New York 10158

10 Mr. Raymond S. Heyman  
Michael W. Patten  
11 ROSHKA HEYMAN & DeWULF  
12 400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004  
13 Attorneys for Mohave and Santa Cruz Counties

14 Mr. Jose L. Machado  
15 777 North Grand Avenue  
Nogales, Arizona 85621  
16 Attorney for City of Nogales, AZ

17 Mr. Walter W. Meek  
AUIA  
18 2100 North Central Avenue, Suite 210  
19 Phoenix, Arizona 85004

20 Ms. Holly J. Hawn  
Santa Cruz Deputy County Attorney  
21 2150 North Congress Drive, Suite 201  
22 Nogales, Arizona 85621

23 Mr. Marshall Magruder  
Ms. Lucy Magruder  
24 P.O. Box 1267  
25 Tubac, Arizona 85646-1267

26 Mr. Hugh Holub, Esq.  
118 North Mastick Way, Suite 400  
27 Nogales, Arizona 85621-4117  
28



1 Mr. Andrew Bettwy, Esq.  
2 Southwest Gas Corporation  
3 5241 West Spring Mountain  
4 P.O. Box 98510  
5 Las Vegas, Nevada 89193-8510

6 Mr. Nicholas Enoch, Esq.  
7 349 North Fourth Avenue  
8 Phoenix, Arizona 85003-1505

9 Mr. Ernest G. Johnson  
10 Director, Utilities Division  
11 Arizona Corporation Commission  
12 1200 West Washington  
13 Phoenix, Arizona 85007

14 Mr. Christopher C. Kempley  
15 Chief Counsel  
16 Arizona Corporation Commission  
17 1200 West Washington  
18 Phoenix, Arizona 85007

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